UNDP

UNITED NATIONS DEVELOPMENT PROGRAMME

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ENGLISH

APPROVAL OF UNDP ASSISTANCE TO A PROJECT OF
BOLIVIA

IPF:(1992-96) $ 23 713 000

(BOL/92/002) - Restructuring of Public Enterprises in Bolivia

Date of approval by the AC:[1/]	3 June 1992
Expected duration:	20 months
Proposed executing agency:	UNDP/OPS
Government implementing agency:	Ministry of Planning and Coordination
Government cost sharing:	$ 1 202 400 Source of funds: IDB
Total UNDP budget:	$ 1 202 400

Project background

In the early 1980's, the Bolivian economy suffered a severe crisis, with hyperinflation reaching 22,000 percent annually, a large foreign debt and state deficit, high unemployment, and much social unrest. To address the situation, Bolivia embarked on a program of structural adjustment which included inter alia reform of the public sector. Besides streamlining the structures of the executive branch, the Reforms Program envisaged deregulation of services, privatization of a large majority of the 159 state owned enterprises and the creation of legislation designed to encourage private and foreign investments. It is in this context that the Government requested UNDP assistance.

UNDP assistance began in 1988 under the framework of the project (BOL/88/002) Restructuring of the Public Enterprise Sector with co-financing from the IDB. The project assisted the Ministry of Planning in undertaking an inventory of its public enterprises nationwide and in initiating an analysis of some of the larger public enterprises. The present project is effectively a continuation of BOL/88/002 and is to expand the number of enterprises to be covered maintaining co-financing from a new IDB loan. The project is fully congruent with the first (Reform of the State) and second (Economic Reactivation) area of concentration of the Fifth Country Programme.

An initial analysis of the 159 public enterprises revealed that 96 would require serious managerial and structural overhauling to increase their efficiency. Those that were mixed (partly state and partly private) enterprises could be legally privatized immediately. The others would have to await the approval of newlegislation, a process that is expected to take approximately three to four years. The present law prohibits state-owned (100 percent ownership) enterprises from being privatized. However, in order not to slow down the

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[1/] **This Fact Sheet reflects the status of the project/revision at the time it was approved by the Action Committee; modifications to the project/revision may have occurred subsequently.**

impetus in the process of public sector reform, the Government has decided to pursue other mechanisms that would, irrespective of the degree of state ownership, modernize the public enterprises. To this end, UNDP assistance was requested under the present approval.

Description of project

The immediate objectives of the project are to: (a) prepare and negotiate "Contratos de Rendimiento" (Performance Contracts) for the ten largest public owned companies (accounting for about 92 percent of the turnover of all public enterprises); (b) privatize four companies, namely ENF (Matches), LINABOL (Airlines), ELFEC (Electricity in Cochabamba), and FANEXA (Combustibles) and include analyses of economic and technical viability, market value, sales strategy and recommendations on price and potential purchasers; (c) constitute and operationalize a Unit for Execution of Public Companies Reorganization (UEREP) in the Ministry of Planning and Coordination, which will collaborate with ministries and enterprises in the negotiation, formulation and follow-up of Performance contracts and in the process of privatization; and (d) strengthen the sectorial ministries such that they may provide the enterprises with the adequate policy, financial and administrative framework required to ensure efficiency in the management and administration of enterprises operating within their sectors.

Project activities will include: (a) enabling the performance contracts to lay out production schedules, investment requirements, managerial and administrative procedures and outputs for the individual enterprises; (b) conducting a thorough analysis of the existing state of the enterprise and recommendations for its restructuring/modernization with the assistance of the Harvard Institute for International Development; and (c) training members of the UEREP so that they may assume the functions of independent overseer of the public enterprise sector in the longer term ,at least till such time that it becomes largely privatized.

Inputs

UNDP will provide a national project director (16 work-months), national consultants in managerial information systems (11 work-months), managerial planning (eight work-months), business strategy (14 work-months), macroeconomics policies (four work-months), performance contract negotiation, formulation, administration, monitoring and evaluation (113 work-months) and in training programs (five work-months); a local coordinator in privatization (12 work-months), a specialized economist (12 work-months), a legal consultant (12 work-months), and an environmental impact consultant (two work-months); and two subcontracts for approximately 30 work-months re the Harvard Institute for International Development (HIDD) and consultant firms.

Financial data

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Personnel	314 200
Subcontract	888 200
Total	1 202 400

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